

Air

PBSUCCESS/RXBAT #113

C 11750

TO : Chief, Western Hemisphere Division

22 April 1954

FROM : C

INFO: Lincoln
Guatemala

SUBJECT : General: KUGOWN Operations
Specific: ORRISON Reports

Reference: C 11743, 22 Apr 54

As of possible interest to the addressees, ORRISON has submitted the two enclosed reports on some of his observations made in connection with the reference mission.

Enclosures:

1. Rpt dtd 19 Apr 54
2. Rpt dtd 21 Apr 54

C
Boyd I. Rolender

BIR/esl
22 Apr 54

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~~SECRET~~

Re: Guatemala

The cement company in Guatemala is called "Carlos F. Novella y Cia. Fabrica de Cemento, originally formed by the late Carlos F. Novella and presently run by the two sons, Ing. Estuardo Novella C., Manager and Enrique Novella C., Asst. Mgr.

On previous missions to Guatemala, anti-communist elements had mentioned to me that Estuardo Novella was a militant and enthusiastic anti-communist and more than one person had offered to present me to him in my role as an anti-communist. I turned down these offers as I do business with Novella and I felt that it might not be wise to mix the two.

In the past I had always talked in generalities with Novella about conditions in the country and he had always sung the same tune about how bad things were; the government was trying to put them out of business by backing impossible labor demands, etc.

Last week I saw him on 13 April in connection with and talked to him again about conditions. He surprised me greatly by indicating that things were not too bad. While I was in his office with he and brother Enrique, they received a call from their downtown office which was taken by Enrique. After he hung up he turned to Estuardo and told him that "Pellecer" was in the downtown office. Estuardo turned to me and told me that "Pellecer" was the Communist labor leader and was dealing with them on a new labor contract for their workers. Of course, I pretended ignorance concerning Pellecer and he went on to tell me about his background.

However, he surprised me very disagreeably by saying that in spite of the fact that Pellecer was a known member of the Communist Party that they found him to be quite fair. They stated that he listened to both sides of the stories - labor and management - and that his decisions did not particularly favor either side; that his decisions were usually fair and just.

Estuardo went on to state that conditions seemed to be shaking down in the country and that they felt fairly optimistic for the future; that their own problems seemed to be stabilizing and that they felt they could now begin to plan ahead. I told him that this seemed to represent quite a change since he had always told me in the past that conditions were intolerable and they did not see how they would be able to remain in business under the impossible demands of labor, backed by the government, et al. He stated that this was true but that conditions were changing and that the government now seemed to understand their problems and was cooperating with them.

At one time the government had actually sent a man to Europe to study cement plant practice, costs, etc. with an eye towards setting up a government cement plant competitive with the Novellas. Since the domestic demand is only sufficient to support one plant with possible, future expansion this would have run them out of business. He stated that this project has now been abandoned.

It is my opinion that the above change of attitude, if also reflected among other business-men, is quite serious. I cannot say just how far this has gone as I only spent one day in Guatemala before going north and one after returning. About half of my time was taken up with Fanjul so I did not see too many people. I am listing some of the reactions below. Actually, peoples' attitude seems to run the entire gamut of Novellas' attitude down toward the cry that things could be no worse.

René Willemsen, Manufacturers Representative: stated that things were never better; that he did not have enough time to take care of everything.

"Pop" Ruder, Manager, Tropical Radio Telegraph Co.: seemed to feel that things were about the same or better.

"Cloyde Smith, Manager, Hotel Panamerican: stated that it was worse than ever.

Arturo Bianchi, Fanjul partner (main business, coffee): seemed to be riding high.

While in one of my conferences with Fanjul he asked me if I knew the Manager in Guatemala of the Luz Y Fuerza (Electric Bond & Share), who he felt was a very nice fellow. He told me that when they had begun their talks with them about higher wages, etc. that the Manager had flatly refused. Fanjul says that now he has come back, begging for a compromise but that they, the government has refused to make any more concessions.

Fanjul states that they consider themselves in a life and death struggle with the Fruit company and the railroad and that they do not intend to budge until they have eliminated preferential rail rates and other abuses. He feels that the new port on the north coast, coupled with the new highway paralleling the railroad will help greatly to break the monopoly of the Railroad. He said that the Port would be finished this year, possibly ahead of schedule, and at least ahead of the highway. He thinks that they will request bids from contractors for paving the 175 odd miles of highway that will still be unfinished by the time the Port is ready. He wants me to get [] to bid on the job.

[] 21 April 1954

[] Samuel G. Orrison

Re: PAN-AMERICAN LIFE INSURANCE CO.

En route to New York, between plane connections, 9 April, I had dinner in New Orleans with an old friend Fritz G. Lindley and wife, Martha. Mr. Lindley is Superintendent, Latin American Division for subject company.

Mr. Lindley mentioned to me that they were going back into Guatemala and asked me what I thought about it. I told him that in my opinion any American investor should think twice before investing money in Guatemala at this time; not only because of the risk due to the shaky communist government, but also because they would be giving a great deal of aid and comfort to a government that was known to be communist dominated, but also was an outspoken enemy of the United States.

He seemed to take my comments to heart and said that possibly they would be better off to wait and see what develops there. I told him that they would probably be much safer to wait and they should certainly give serious consideration to the un-patriotic aspects of such an investment at this time; that the government was not only politically unstable but was also financially in bad shape and that an investment on their part might well be of great aid in perpetuating a government, enemy to the U.S.

It is my suggestion that our organization take steps through some secure medium to contact either Mr. Lindley or some top official of subject company and scare them off for the present. I am sure you will agree that several million dollars invested by a company with the fine name of this one would be a serious blow to our anti-communist program. Such a step would undoubtedly be given wide publicity by the Guatemaltecan government as proof that they are highly regarded in the best circles of American finance and might very well encourage other investors to come in. I do not believe that it would be to our advantage to see the economy of Guatemala strengthened at this time.

[] , 19 April 1954

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Samuel G.arrison